

**AUTHORIZATION TO AWARD CONTRACTS FOR PROPERTY MANAGERS' INSURANCE PROGRAM COVERAGE TO SWISS RE AMERICAN HOLDING/FIRST SPECIALTY FOR GENERAL LIABILITY AND UMBRELLA LIABILITY COVERAGE, AND TO ALLIED WORLD ASSURANCE COMPANY FOR EXCESS LIABILITY, FOR THE PERIOD OF APRIL 1, 2015 – MARCH 31, 2016, IN THE AGGREGATE AMOUNT OF \$967,805.**

**To the Honorable Board of Commissioners:**

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to purchase insurance coverage for CHA's Property Managers' Insurance Program ("PMIP") through its insurance broker of record, Aon Risk Services, Inc. ("Aon"), for the period of April 1, 2015 through March 31, 2016 for an aggregate amount of \$967,805, broken down as follows: (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$459,485; (2) Umbrella Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$373,320; and (3) Excess Liability written through Allied World Assurance Company ("AWAC") in the amount of \$135,000.

The Executive Vice President (EVP) of Finance, the Office of the General Counsel and the Department of Procurement and Contracts have completed all necessary due diligence to support the submission of this procurement and recommend the approval of this item accordingly.

**CORPORATE GOAL**

The CHA must protect its assets by annually evaluating its insurance needs and procuring appropriate insurance coverage to protect its assets, financial interests and make it more fiscally sound.

**FUNDING:** General Fund

**SOLICITATION SUMMARY**

Vendor: Insurance Coverage Purchased Through Aon Risk Services, Inc.  
Address: 200 East Randolph Street  
City: Chicago, IL 60601  
Contract Type: Firm Fixed Price  
Aggregate Contract Amount: \$967,805  
Awardees: Swiss Re American Holding/First Specialty - \$459,485  
Swiss Re American Holding/First Specialty - \$373,320  
AWAC - \$135,000  
Contract Period: April 1, 2015 – March 31, 2016  
M/W/DBE Participation: See attached waiver  
Section 3: Not Applicable - Supply & Delivery  
Section 3 Sub-Contracting: Not Applicable – Supply & Delivery

**GENERAL BACKGROUND/EXPLANATION**

The CHA must annually renew its insurance coverage for the Property Manager's Insurance Program (PMIP). The aggregate limit of coverage, \$22 million, is constructed using 3 different layers of coverage: (1) primary general liability up to \$2 million; (2) umbrella liability, which provides coverage in the \$2 million – \$12 million layer; and (3) excess liability, which provides coverage for the \$12 million - \$22 million layer.

A property tour has become an integral component of the marketing plan. Underwriters were invited to a presentation by CHA staff and a tour of three development locations. The tour was designed to give the underwriters a first-hand look at each type of development (Senior, Family, Scattered Sites) and to allow informal question and answer sessions with the PPM staff. This strategy supports the touted success of the Plan for Transformation and the resulting improvement in CHA's real estate portfolio, which is reflected in improved claim results and an increase in competition by insurers willing to provide coverage.

### **PROCUREMENT INFORMATION**

Aon directly and indirectly (through one wholesaler) solicited requests for insurance premium quotes from 19 insurance carriers for each line of the coverage lines. Specifications were sent on January 9<sup>th</sup> and quotes were received by January 30, 2015. Aon was able to obtain competition in each layer of coverage. The Housing Authority class of business is still challenging for insurers, but our program is growing more attractive to potential insurers as evidenced by multiple quotes for each coverage line. A list of the insurers approached was compiled in Aon's Quote Disclosure Report, which includes each insurer's response to the broker.

### **RECOMMENDATION**

Based on the foregoing, it is in the best interest of the Chicago Housing Authority to purchase the following insurance coverage(s) for the period of April 1, 2015 through March 31, 2016, in the total amount of \$967,805, through its insurance broker of record, Aon Risk Services, Inc. ("Aon"): (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$459,485; (2) Umbrella Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$373,320; and (3) Excess Liability written through AWAC in the amount of \$135,000. The recommended coverages and their respective premiums represent a 16% reduction in total costs relative to the prior year.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and applicable federal (HUD) procurement laws.

The EVP of Finance concurs with the recommendation to purchase insurance coverage through its Broker of Record with the same policy limits and retention levels for all lines as in the prior year's program.

The CEO/President recommends the approval to purchase insurance coverage for CHA's PMIP for the period of April 1, 2015 through March 31, 2016, in a total amount of \$967,805, through its insurance broker of record, Aon Risk Services, Inc. ("Aon"): (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$459,485; (2) Umbrella Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$373,320; and (3) Excess Liability written through AWAC in the amount of \$135,000.

**RESOLUTION NO. 2015-CHA-18**

**WHEREAS,** The Board of Commissioners has reviewed the memorandum dated March 6, 2015 entitled "Recommendation to Award Contracts for Property Managers' Insurance Program coverage to Swiss Re American Holding/First Specialty for General Liability and Umbrella Liability coverage, and to Allied World Assurance Company for Excess Liability, for the Period of April 1, 2015 – March 31, 2016, in the Aggregate Amount of \$967,805."

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT,** The Board of Commissioners authorizes the Chief Executive Officer or his designee to purchase the insurance coverage for CHA's Property Managers' Insurance Program ("PMIP") through its insurance broker of record, Aon Risk Services, Inc., for the period of April 1, 2015 through March 31, 2016 for the aggregate amount of \$967,805, broken down as follows: (1) Primary General Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$459,485; (2) Umbrella Liability coverage written through Swiss Re American Holding/First Specialty in the amount of \$373,320; and (3) Excess Liability written through Allied World Assurance Company in the amount of \$135,000.

